

Service Date: June 10, 1986

DEPARTMENT OF PUBLIC SERVICE REGULATION  
BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MONTANA

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IN THE MATTER Of the Request of )	
Pacific Power and Light Company )	UTILITY DIVISION
for an Accounting Order Concerning)	DOCKET NO. 86.5.27
the Treatment of Deferred Carrying)	ORDER NO. 5208
Costs Relating to Colstrip Unit 4.)	

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ACCOUNTING ORDER

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BACKGROUND

1. On or about May 5, 1986, the Commission received a request from Pacific Power and Light Co. thereafter Pacific for an accounting order relating to the treatment for accounting purposes of Pacific's share of the Colstrip Unit 4 Steam Generation Plant (Colstrip 4).

2. According to Pacific, Colstrip 4 was declared commercial on April 1, 1986, and has been providing power since that date. Pacific also alleges that, as of that date, it is required to pay its 10 percent share of operating costs and cease accrual of AFUDC on the project.

3. The FERC requires Pacific to follow the FERC Uniform System of Accounts, 18 CFR, part 101. Under this Commission's rules the Uniform System of Accounts are to be generally followed. ARM §38.5.110. Under this system, the capitalization of AFUDC is allowed only during the period of project construction. Electric Plant Instruction 3 (para. 17). Pacific believes that a fair and reasonable

approach for accounting for Pacific's investment is to accrue carrying costs and defer the billing for carrying costs applicable to the Colstrip Unit 4 from April, 1986, through such time as the Commission makes a final decision on the appropriate ratemaking treatment of the determined costs of Colstrip Unit 4. Pacific believes that it must obtain an order from this Commission to this effect.

4. Pacific proposes the following accounting treatment:

- a) Pacific shall accrue carrying charges associated with the Montana jurisdictional portion of the Colstrip 4 plant placed in service in April 1986, commencing in April 1986 and ending at such time as may be later determined by the Commission.
- b) The Montana jurisdictional portion of the Colstrip 4 plant placed in service in April 1986, was \$2,574,000.
- c) The carrying charges shall be accrued at the currently authorized rate of return of 11.24%. Charges shall be compounded semiannually.
- d) The following accounting entries shall be made:
  - 1. Monthly carrying charges as calculated above shall be recorded in Account 186 "Miscellaneous Deferred Debits". The determination of these entries, including supporting documentation, shall be available for review by Commission staff or other interested parties on a monthly basis during the accrual period.
  - 2. The credit entry associated with amounts recorded in Account 186, "Miscellaneous Deferred Debits" shall be recorded in Account 421, "Non-Operating Income".
- e) Amortization of the accumulated balance shall be over a period to be determined by the Commission at such time as the Commission makes a final decision on the inclusion of Colstrip 4 costs in Pacific's Rates.

5. On or about May 25, 1986, the Commission received a clarification of the request originally made by Pacific, which in pertinent part, provides as follows:

... As the Colstrip Unit 4 plant is operational and not currently included in retail rates, the Company believes it should be granted an opportunity to demonstrate in its next general rate proceeding that the carrying costs from the in-service date to the date of the order are reasonable costs.... (emphasis theirs)

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If the Commission approves the accounting order, the Company understands and intends that it has the full burden of proof to demonstrate that such deferred carrying costs are properly included in the revenue requirement determination in future proceedings. It is not the intention of the Company to prejudice in any fashion the future ratemaking treatment of either Colstrip 4 or the requested deferred carrying costs by the Montana Commission...(Emphasis ours)

COMMISSION ANALYSIS AND DECISION

6. With the May 15, 1986, clarification provided by Pacific, the Commission is willing to grant Pacific's request for an accounting order. This action is not an approval of the accounting procedure proposed by Pacific or the length of time such accounting shall be deemed as proper. This approval is for accounting purposes only to allow Pacific to meet the requirement of both the Uniform System of Accounts and Generally Accepted Accounting Principles. This order is not to be construed as, nor is it in any way, a directive as to the proper accounting treatment for such carrying charges, or an approval of either the actual numbers involved, the accounting method

used, or the assumptions underlying those numbers. Most importantly, this order does not prejudice in any fashion the treatment of the numbers and accounts involved for any future ratemaking proceedings. As Pacific has recognized, for the purposes of future ratemaking treatment, Colstrip 4 and any related carrying costs are separate items. Pacific will have the opportunity, as well as the burden, to demonstrate in a future general rate proceedings that any accrued carrying costs associated with Colstrip 4 are recoverable costs. This Order has no bearing upon the merits of such a determination, or any other Commission determination concerning any costs or ratemaking treatment associated with Colstrip 4.

#### CONCLUSIONS OF LAW

1. The Pacific Power and Light Company is a public utility furnishing electric service to consumers in the State of Montana, subject to the supervision, regulation, and control of this Commission. Title 69, Chapter 3, MCA, Section 69-3-102, MCA.

Done and dated this 9th day of June, 1986 by vote of 5 - 0.

BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION

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CLYDE JARVIS, Chairman

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HOWARD L. ELLIS, Commissioner

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TOM MONAHAN, Commissioner

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DANNY OBERG, Commissioner

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JOHN B. DRISCOLL, Commissioner

ATTEST:

Trenna Scoffield  
Commission Secretary

(SEAL)

NOTE: Any interested party may request the Commission to reconsider this decision. A motion to reconsider must be filed within ten (10) days. See 38.2.4806, ARM.